

**AMENDMENT TO RULES COMMITTEE PRINT 119-3**

**OFFERED BY MR. CASTEN OF ILLINOIS**

Strike sections 112001 through 112004 and insert the following:

**SEC. \_\_\_\_\_. CREDIT FOR VEHICLES WITH HIGH ENERGY PERFORMANCE.**

(a) Amendment of 1986 Code.--Except as otherwise expressly provided, whenever in this section an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(b) In General.--Subpart B of part IV of subchapter A of chapter 1 (relating to other credits) is amended by inserting after section 30D the following new section:

**``SEC. 30E. VEHICLE ENERGY PERFORMANCE REBATE.**

**``(a) Allowance of Credit.--**

``(1) In general.--There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the amount determined under paragraph (2) with respect to any new qualified high energy performance motor vehicle placed in service by the taxpayer during the taxable year.

``(2) Credit amount.--With respect to each new qualified

high energy performance motor vehicle, the amount determined under this paragraph shall be equal to the amount (not greater than \$5,000) that bears the same ratio to \$5,000 as--

``(A) the excess of--

``(i) the vehicle energy performance of such vehicle, over

``(ii) the median vehicle energy performance for the model year immediately preceding the model year of such vehicle, bears to

``(B) the excess of--

``(i) the best vehicle energy performance for the model year immediately preceding the model year of such vehicle, over

``(ii) the median vehicle energy performance for the model year immediately preceding the model year of such vehicle.

``(b) New Qualified High Energy Performance Motor Vehicle.--For purposes of this section, the term `new qualified high energy performance motor vehicle' means a passenger automobile or light truck--

``(1) which is treated as a motor vehicle for purposes of title II of the Clean Air Act,

``(2) which achieves vehicle energy performance that is greater than the median vehicle energy performance for the model year immediately preceding the model year of such vehicle,

“(3) for which standards are prescribed pursuant to section 32902 of title 49, United States Code,

“(4) the original use of which commences with the taxpayer,

“(5) which is acquired for use or lease by the taxpayer and not for resale, and

“(6) which is made by a manufacturer beginning with model year 2027.

“(c) Application With Other Credits.--

“(1) Business credit treated as part of general business credit.--So much of the credit which would be allowed under subsection (a) for any taxable year (determined without regard to this subsection) that is attributable to property of a character subject to an allowance for depreciation shall be treated as a credit listed in section 38(b) for such taxable year (and not allowed under subsection (a)).

“(2) Refundable personal credit.--

“(A) In general.--For purposes of this title, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall be treated as a credit allowable under subpart C for such taxable year (and not allowed under subsection (a)).

“(B) Refundable credit may be transferred.--

“(i) In general.--A taxpayer may, in connection with the purchase of a new qualified high energy performance motor vehicle, transfer

any refundable credit described in subparagraph (A) to any person who is in the trade or business of selling new qualified high energy performance motor vehicles and who sold such vehicle to the taxpayer, but only if such person clearly discloses to such taxpayer, through the use of a window sticker attached to the new qualified high energy performance vehicle--

``(I) the amount of the refundable credit described in subparagraph (A) with respect to such vehicle, and

``(II) a notification that the taxpayer will not be eligible for any credit under section 30D with respect to such vehicle unless the taxpayer elects not to have this section apply with respect to such vehicle.

``(ii) Certification.--A transferee of a refundable credit described in subparagraph (A) may not claim such credit unless such claim is accompanied by a certification to the Secretary that the transferee reduced the price the taxpayer paid for the new qualified high energy performance motor vehicle by the entire amount of such refundable credit.

``(iii) Consent required for revocation.--

Any transfer under clause (i) may be revoked only with the consent of the Secretary.

“(iv) Regulations.--The Secretary may prescribe such regulations as necessary to ensure that any refundable credit described in clause (i) is claimed once and not retransferred by a transferee.

“(d) Other Definitions.--For purposes of this section:

“(1) Vehicle energy performance.--The term ‘vehicle energy performance’ means, with respect to any vehicle, the combined fuel-economy rating determined for the model and model year of such vehicle.

“(2) Median vehicle energy performance.--The term ‘median vehicle energy performance’ means, with respect to any model year, the median combined fuel-economy rating for all new motor vehicles of such model year sold in the United States.

“(3) Best vehicle energy performance.--The term ‘best vehicle energy performance’ means, with respect to any model year, the highest combined fuel-economy rating of any model of motor vehicle of such model year sold the United States.

“(4) Combined fuel-economy rating.--The term ‘combined fuel-economy rating’ means the combined fuel-economy rating determined in accordance with section 32908 of title 49, United States Code, and expressed in miles per gallon of gasoline equivalent.

“(5) Model year.--The term ‘model year’ has the meaning given such term under section 32901(a) of such title 49.

“(6) Motor vehicle.--The term ‘motor vehicle’ means any vehicle which is manufactured primarily for use on public streets, roads, and highways (not including a vehicle operated exclusively on a rail or rails) and which has at least 4 wheels.

“(7) Other terms.--The terms ‘automobile’, ‘passenger automobile’, ‘light truck’, and ‘manufacturer’ have the meanings given such terms in regulations prescribed by the Administrator of the Environmental Protection Agency for purposes of the administration of title II of the Clean Air Act (42 U.S.C. 7521 et seq.).

“(e) Special Rules.--

“(1) Basis reduction.--For purposes of this subtitle, the basis of any property for which a credit is allowable under subsection (a) shall be reduced by the amount of such credit so allowed (determined without regard to subsection (c)).

“(2) Property used by tax-exempt entity.--In the case of a vehicle whose use is described in paragraph (3) or (4) of section 50(b) and which is not subject to a lease, the person who sold such vehicle to the person or entity using such vehicle shall be treated as the taxpayer that placed such vehicle in service, but only if such person clearly discloses to such person or entity in a document the amount of any credit allowable under subsection (a) with respect to such vehicle (determined without regard to subsection (c)). For purposes of subsection (c), property to which this paragraph applies shall be treated as of a character subject to an allowance for

depreciation.

“(3) Property used outside United States, etc., not qualified.--No credit shall be allowable under subsection (a) with respect to any property referred to in section 50(b)(1) or with respect to the portion of the cost of any property taken into account under section 179.

“(4) Recapture.--The Secretary shall, by regulations, provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any property which ceases to be property eligible for such credit.

“(5) Election not to take credit.--No credit shall be allowed under subsection (a) for any vehicle if the taxpayer elects to not have this section apply to such vehicle.

“(6) Interaction with air quality and motor vehicle safety standards.--A motor vehicle shall not be considered eligible for a credit under this section unless such vehicle is in compliance with--

“(A) the applicable provisions of the Clean Air Act for the applicable make and model year of the vehicle (or applicable air quality provisions of State law in the case of a State which has adopted such provisions under a waiver under section 209(b) of the Clean Air Act), and

“(B) the motor vehicle safety provisions of sections 30101 through 30169 of title 49, United States Code.

“(7) Inflation adjustment.--In the case of any model year

beginning in a calendar year after 2027, each dollar amount in subsection (a)(2) shall be increased by an amount equal to--

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the model year begins, determined by substituting ‘2026’ for ‘2016’ in subparagraph (A)(ii) thereof.

Any increase determined under the preceding sentence shall be rounded to the nearest multiple of \$100.

“(8) One credit per vehicle.--In the case of any vehicle, the credit described in subsection (a) shall only be allowed once with respect to such vehicle, as determined based upon the vehicle identification number of such vehicle.

“(f) Reporting of Vehicle Energy Performance.--

“(1) Vehicle manufacturers.--Not later than November 1 of each calendar year (beginning with calendar year 2026), each vehicle manufacturer shall submit to the Secretary a report that includes--

“(A) the vehicle energy performance for each model of that model year which was manufactured by such manufacturer and sold in the United States, and

“(B) with respect to each such model of such model year, the number of vehicles of such model and model year sold in the United States during the 1-year period beginning on October 1 of the preceding year.

“(2) Publication by treasury.--Not later than December 1 of each calendar year (beginning with calendar year 2026), the

Secretary shall publish the median vehicle energy performance and the best vehicle energy performance for that model year.

“(g) Regulations.--

“(1) In general.--Except as provided in paragraph (2), the Secretary shall promulgate such regulations as necessary to carry out the provisions of this section not later than 1 year after the date of enactment.

“(2) Coordination in prescription of certain regulations.--The Secretary of the Treasury, in coordination with the Secretary of Transportation and the Administrator of the Environmental Protection Agency, shall prescribe such regulations as necessary to determine whether a motor vehicle meets the requirements to be eligible for a credit under this section.”.

(c) Credit Allowed Against Alternative Minimum Tax.--Section 38(c)(4)(B) is amended by redesignating clauses (i) through (xii) as clauses (ii) through (xiii), respectively, and by inserting before clause (ii) (as so redesignated) the following new clause:

“(i) the credit determined under section 30E,”.

(d) Display of Credit.--Section 32908(b) of title 49, United States Code, is amended--

(1) in paragraph (1)--

(A) by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), and

(B) by inserting after subparagraph (D) the following new subparagraph:

“(E) the amount of the vehicle energy performance credit allowable with respect to the sale of the automobile under section 30E of the Internal Revenue Code of 1986 (26 U.S.C. 30E).”, and

(2) in paragraph (2), by striking “paragraph (1)(E)” and inserting “paragraph (1)(F)”.

(e) Conforming Amendments.--

(1) Section 38(b) is amended by striking “plus” at the end of paragraph (40), by striking the period at the end of paragraph (41) and inserting “, plus”, and by adding at the end the following new paragraph:

“(42) the portion of the vehicle energy performance rebate to which section 30E(c)(1) applies.”.

(2) Section 1016(a) is amended by striking “and” at the end of paragraph (37), by striking the period at the end of paragraph (38) and inserting “, and”, and by adding at the end the following new paragraph:

“(39) to the extent provided in section 30E(e)(1).”.

(3) Section 6501(m) is amended by inserting “30E(e)(6),” after “30D(e)(4).”.

(4) The table of section for subpart C of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 30D the following new item:

“Sec. 30E. Vehicle energy performance rebate.”.

(f) In General.--Section 4064 is amended to read as follows:

``SEC. 4064. LOW VEHICLE ENERGY PERFORMANCE FEE.

``(a) Imposition of Tax.--There is hereby imposed on the sale by the manufacturer of each low energy performance vehicle a tax equal to the product of \$5,000, multiplied by the quotient of--

``(1) the excess of--

``(A) the median vehicle energy performance for the model year immediately preceding the model year of such vehicle, over

``(B) the vehicle energy performance of such vehicle, divided by

``(2) the excess of--

``(A) the best vehicle energy performance for the model year immediately preceding the model year of such vehicle, over

``(B) the median vehicle energy performance for the model year immediately preceding the model year of such vehicle.

``(b) Low Energy Performance Vehicle.--For purposes of this section--

``(1) In general.--The term 'low energy performance vehicle' means a passenger automobile or light truck--

``(A) which is treated as a motor vehicle for purposes of title II of the Clean Air Act,

``(B) which achieves vehicle energy performance that is lower than the median vehicle energy

performance, and

“(C) which is made by a manufacturer beginning with model year 2029.

“(2) Exception for certain vehicles.--The term ‘low energy performance vehicle’ does not include any vehicle--

“(A) which--

“(i) has a gross vehicle weight rating of more than 8,500 pounds, and

“(ii) is determined by the Secretary to be a vehicle which is designed for commercial use, or

“(B) sold for use and used--

“(i) as an ambulance or combination ambulance-hearse,

“(ii) by the United States or by a State or local government for police or other law enforcement purposes, or

“(iii) for other emergency uses prescribed by the Secretary by regulations.

“(c) Other Definitions.--For purposes of this section:

“(1) Vehicle energy performance.--The term ‘vehicle energy performance’ means, with respect to any vehicle, the combined fuel-economy rating determined for the model and model year of such vehicle.

“(2) Median vehicle energy performance.--The term ‘median vehicle energy performance’ means, with respect to any model year, the median combined fuel-economy rating for all new motor

vehicles of such model year sold in the United States.

“(3) Best vehicle energy performance.--The term ‘best vehicle energy performance’ means, with respect to any model year, the highest combined fuel-economy rating of any model of motor vehicle of such model year sold the United States.

“(4) Combined fuel-economy rating.--The term ‘combined fuel-economy rating’ means the combined fuel-economy rating determined in accordance with section 32908 of title 49, United States Code, and expressed in miles per gallon of gasoline equivalent.

“(5) Model year.--The term ‘model year’ has the meaning given such term under section 32901(a) of such title 49.

“(6) Motor vehicle.--The term ‘motor vehicle’ means any vehicle which is manufactured primarily for use on public streets, roads, and highways (not including a vehicle operated exclusively on a rail or rails) and which has at least 4 wheels.

“(7) Other terms.--The terms ‘automobile’, ‘passenger automobile’, ‘light truck’, and ‘manufacturer’ have the meanings given such terms in regulations prescribed by the Administrator of the Environmental Protection Agency for purposes of the administration of title II of the Clean Air Act (42 U.S.C. 7521 et seq.).

“(d) Inflation Adjustment.--In the case of any model year beginning in a calendar year after 2029, each dollar amount in subsection (a)(2) shall be increased by an amount equal to--

“(1) such dollar amount, multiplied by

((2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the model year begins, determined by substituting '2028' for '2016' in subparagraph (A)(ii) thereof.

Any increase determined under the preceding sentence shall be rounded to the nearest multiple of \$100."

(g) Conforming Amendments.--

(1) The heading for part I of subchapter A of chapter 32 is amended by striking "gas" and inserting "fuel".

(2) The table of parts for subchapter A of chapter 32 is amended by striking "Gas" in the item relating to part I and inserting "Fuel".

(3) The table of sections for part I of subchapter A of chapter 32 is amended by striking "Gas" in the item relating to section 4064 and inserting "Fuel".

(4) The heading for subsection (d) of section 1016 is amended by striking "Gas Guzzler Tax" and inserting "Low Vehicle Energy Performance Fee".

(5) The heading for subsection (e) of section 4217 is amended by striking "Gas Guzzler Tax" and inserting "Low Vehicle Energy Performance Fee".

(6) The heading for subparagraph (B) of section 4217(e)(3) is amended by striking "gas guzzler tax" and inserting "low vehicle energy performance fee".

(7) Section 4217(e) is amended by striking "gas guzzler tax" each place it appears and inserting "low vehicle energy performance fee".

(h) Measurement of Fuel Economy for Electric Dual Fueled Automobiles.--Section 32905(e) of title 49, United States Code, is amended--

(1) in paragraph (1), in the matter preceding subparagraph (A)--

(A) by striking ``At the request of the manufacturer, the Administrator may" and inserting ``The Administrator shall"; and

(B) by striking ``model year 2015" and inserting ``model year 2026"; and

(2) by amending paragraph (2) to read as follows:

``(2) Review and updating of formula.--Not later than 3 years after the date of the enactment of this paragraph, and every 3 years thereafter, the Administrator shall, using real-world data if possible, review and update the formula for determining under paragraph (1) percentage utilization on gasoline or diesel fuel and percentage utilization on electricity.".

(i) Fuel Economy Information for Dual Fueled Automobiles.--

(1) Labeling requirements and contents.--Section 32908(b)(3) of title 49, United States Code, is amended--

(A) by redesignating subparagraphs (B), (C), and (D) as subparagraphs (D), (E), and (F), respectively; and

(B) by inserting after subparagraph (A) the following:

``(B) indicate the fuel economy of the automobile when

operated primarily on alternative fuel;

“(C) indicate the multi-day average fuel economy of the automobile when operated on a combination of alternative fuel and gasoline or diesel fuel, with the percentage utilization of alternative fuel and the percentage utilization of gasoline or diesel fuel being determined by a formula based on real-world data and updated not less frequently than every 3 years;”.

(2) Fuel economy information booklet.--Section 32908(c)(2)(B) of title 49, United States Code, is amended--

(A) in clause (i), by striking “; and” and inserting a semicolon;

(B) by redesignating clause (ii) as clause (iii); and

(C) by inserting after clause (i) the following:

“(ii) information on the multi-day average fuel economy of the automobile when operated on a combination of alternative fuel and gasoline or diesel fuel, as indicated under subsection (b)(3)(C); and”.

(j) Applicability.--The amendments made by this section shall apply with respect to automobiles of model year 2027 or later.